

ORIGINAL

MEMORANDUM



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2D

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

DATE: April 16, 2010

RE: **RESPONSIVE STAFF REPORT – FOR WHITE HORSE RANCH OWNERS ASSOCIATION'S APPLICATION FOR A PERMANENT RATE INCREASE (DOCKET NO. W-04161A-09-0471)**

Attached is the Responsive Staff Report for White Horse Ranch Owners Association's application for a permanent rate increase. Staff recommends approval of the application using Staff's recommended rates and charges.

Any party who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before April 25, 2010.

SMO:GWB:red

Originator: Gerald W. Becker

Attachment: Original and fifteen copies

Arizona Corporation Commission

DOCKETED

APR 16 2010

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Service List for: White Horse Ranch Owners Association
Docket No. W-04161A-09-0471

Mr. Ray Jones
White Horse Ranch Owners Association
c/o Aricor Water Solutions
25213 North 49th Drive
Phoenix, Arizona 85083

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

WHITE HORSE RANCH OWNERS ASSOCIATION


DOCKET NO. W-04161A-09-0471

**APPLICATION FOR A
RATE INCREASE**

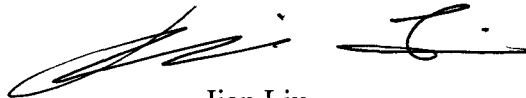
APRIL 16, 2010

STAFF ACKNOWLEDGMENT

The Staff Report for White Horse Ranch Owners Association ("WHROA") Docket No. W-04161A-09-0471 is the responsibility of the Staff members listed below. Gerald W. Becker is responsible for the review and analysis of WHROA's application, recommended revenue requirement, rate base, rate design and financial analyses. Jian Liu is responsible for the engineering and technical analysis. Carmen Madrid is responsible for analysis of complaints, inquiries, opinions and any other consumer data relative to this case.



Gerald W. Becker
Public Utility Analyst V



Jian Liu
Utilities Engineer



Carmen Madrid
Public Utilities Consumer Analyst II

EXECUTIVE SUMMARY
WHITE HORSE RANCH OWNERS ASSOCIATION
DOCKET NO. W-04161A-09-0471

On September 30, 2009, the White Horse Ranch Owners Association ("WHROA" or "Association" or "Company") filed an application for a rate increase with the Arizona Corporation Commission ("Commission"). On October 30, 2009, Staff issued a letter of insufficiency. On November 10, 2009, WHROA filed amendments to its rate application. On December 21, 2009, Staff issued a letter of sufficiency to WHROA.

On March 10, 2010, Staff issued a Staff report recommending approval of the application with recommended annual revenues of \$81,730. On March 19, 2010, WHROA filed a response to the initial Staff Report of March 10. After reviewing the Company's Response, Staff now proposes approval of the application as originally described in the Staff Report of March 10, 2010, except that the monthly minimum charge for a 5/8 x 3/4-inch meter be set at the existing rate of \$35 per month. This change will increase the recommended annual revenues from \$81,730 to \$90,545.

WHROA is a Class D public service corporation engaged in the business of providing utility water service and serves approximately 116 customers. WHROA is located in Yavapai County, Arizona.

The Association's rate application requested a revenue increase of \$15,000, or 35.69 percent, over test year revenue of \$66,730. The Association's proposed rates, as amended, produce operating revenues of \$81,730 for an operating loss of \$13,872 and for an operating margin of a negative 16.97 percent. The Association's requested rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,546 gallons from \$42.64 to \$44.41 for an increase of \$1.77, or 4.16 percent.

In this Responsive Staff Report, Staff includes much of the information contained in the original filing, but Staff now recommends total revenue of \$90,545. This level of revenue represents an increase of \$23,815, or 35.69 percent, over test year revenue of \$66,730, and is necessary due to the potential need to continue to haul water. Staff's recommended revenue would result in a negative 11.71 percent rate of return on a \$78,856 rate base and a negative 10.20 percent operating margin. See Schedule GWB-1. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,546 from \$42.64 to \$52.28 for an increase of \$9.64 or 22.60 percent. See Schedule GWB-5.

Staff's recommended revenue requirement is sufficient and would allow the Company to recover all routine test year expenses, except for \$9,233 of the test year cost \$27,345 of hauling water.

Staff recommends its rates and charges as presented on Schedule GWB-4 of this report.

STAFF RECOMMENDS:

- That the Commission approve Staff's rates and charges as shown on Schedule GWB-4. In addition to collection of its regular rates and charges, the Association may collect from its customers a proportionate share of any privilege, sales or use tax per Commission Rule (14-2-409D-5).
- That the Association be ordered to docket with the Commission, a schedule of its approved rates and charges within 30 days after the Decision in this matter is issued.
- That annual water testing expense of \$2,469 be used for purposes of this application.
- That the Association use Staff's depreciation rates by individual National Association of Regulatory Utility Commissioners category as delineated in Table H-1 of the attached Engineering Report.
- That the Commission authorize the charges listed under "Staff's Recommendation" in Table J-1.
- That the Company install/update "informational" signs at each facility site. These signs should comply with ADEQ requirements and include the following information: system name, system PWS ID and emergency contact phone numbers. Staff further recommends that the Association file documentation with Docket Control demonstrating compliance within 45 days after the effective date of the decision in this case.

TABLE OF CONTENTS

	<u>PAGE</u>
FACT SHEET.....	1
<i>CURRENT RATES.....</i>	<i>1</i>
<i>TYPE OF OWNERSHIP.....</i>	<i>1</i>
<i>CUSTOMERS.....</i>	<i>2</i>
<i>NOTIFICATION.....</i>	<i>2</i>
<i>COMPLAINTS.....</i>	<i>2</i>
SUMMARY OF FILING.....	3
BACKGROUND.....	4
CONSUMER SERVICES.....	4
COMPLIANCE.....	4
ENGINEERING ANALYSIS.....	5
RATE BASE.....	5
<i>PLANT IN SERVICE.....</i>	<i>5</i>
<i>ACCUMULATED DEPRECIATION.....</i>	<i>6</i>
<i>WORKING CAPITAL.....</i>	<i>6</i>
<i>OPERATING INCOME.....</i>	<i>6</i>
<i>OPERATING EXPENSES.....</i>	<i>6</i>
REVENUE REQUIREMENT.....	7
RATE DESIGN AND ALTERNATIVE RATE DESIGNS.....	7

SCHEDULES

Summary of Filing	Schedule GWB-1
Rate Base	Schedule GWB-2
Statement of Operating Income	Schedule GWB-3
Rate Design.....	Schedule GWB-4
Typical Bill Analysis	Schedule GWB-5

ATTACHMENTS

Engineering Report	Exhibit A
Consumer Services Report.....	Exhibit B

FACT SHEET

Current Rates: Decision No. 67103, dated July 9, 2004.

Type of Ownership: Association—Cooperative.

Location: The Association serves 116 customers in Yavapai County, Arizona.

Rates: Rate increase application filed: September 30, 2009, and amended November 10, 2009;
Deficiency Notice sent October 30, 2009; and Letter of Sufficiency sent December 21, 2009.

Current Test Year Ended: July 31, 2009.

<u>WHROA</u>	WHROA Current <u>Rates</u>	WHROA Proposed <u>Rates</u>	Staff Recommended <u>Rates</u>
<u>Monthly Minimum Charge</u>			
5/8 x 3/4 inch meter	\$35.00	\$40.00	\$35.00
¾ inch meter	\$35.00	\$40.00	\$52.50
1 inch meter	\$57.50	\$66.00	\$87.50
1 ½ inch meter	\$115.00	\$132.00	\$175.00
2 inch meter	\$184.00	\$212.00	\$280.00
3 inch meter	\$345.00	\$400.00	\$560.00
4 inch meter	\$575.00	\$660.00	\$875.00
6 inch meter	\$1,150.00	\$1,325.00	\$1,750.00
Gallons in Minimum on above rates	0	0	0
<u>Commodity Charge</u>			
Excess of minimum, per 1,000 gallons			
0 to 3,000 gallons	\$2.00		
3,001 to 15,000 gallons	\$3.00		
Over 15,000 gallons	\$3.60		
0 to 3,000 gallons		\$2.50	
3,001 to 6,000 gallons		\$3.50	
6,001 to 9,000 gallons		\$4.50	
Over 9,000 gallons		\$12.95	

White Horse Ranch Owners Association

Docket No. W-04161A-09-0471

Page 2

0 to 2,000 gallons			\$4.00
2,001 to 4,000 gallons			\$6.00
4,001 to 9,000 gallons			\$8.00
Over 9,000 gallons			12.00
Bulk Water, No Minimum, per 1,000 gallons	N/A	N/A	N/A
Typical residential bill (Based on 5/8 x 3/4 inch meter with median usage of 3,546 gallons)	\$42.64	\$44.41	\$52.28

Customers:

There were 116 customer connections in the current test year. The Association does not expect any significant growth.

Notification:

Customer Notification was mailed September 30, 2009

Complaints:

2006 - three complaints
2007 - zero complaints
2008 - zero complaints
2009 - zero complaints
2010 - zero complaints

SUMMARY OF FILING

The test year results, as adjusted by Utilities Division Staff ("Staff") of the Arizona Corporation Commission ("Commission"), show that White Horse Ranch Owners Association ("WHROA" or "Association" or "Company") experienced an operating loss of \$33,048 for no operating margin, as shown in Schedule GWB-1.

On March 10, 2010, Staff issued a Staff report recommending approval of the application with recommended annual revenues of \$81,730 (the amount originally requested by the Company). On March 19, 2010, WHROA filed a response ("Response") to the initial Staff Report of March 10, in which the Company expressed concern that its original revenue proposal would be insufficient to recover ongoing expenses. After reviewing the Response, Staff now proposes approval of the application as originally described in the Staff Report of March 10, 2010, except that the monthly minimum charge for a 5/8 x 3/4-inch meter be set at the existing rate of \$35 per month. This change will increase the recommended annual revenues from \$81,730 to \$90,545.

WHROA is a Class D public service corporation engaged in the business of providing utility water service and serves approximately 116 customers. WHROA is located in Yavapai County, Arizona.

The Association's rate application requested a revenue increase of \$15,000, or 35.69 percent, over test year revenue of \$66,730. In its Response, the Association proposed two alternative rate designs to address its concern that the revenue as originally proposed was insufficient. Alternative #1 rate design produces revenue of \$82,036 and Alternative #2 rate design produces revenue of \$94,118,

In this Responsive Staff Report, Staff includes much of the information contained in the original filing. However, upon review of the concerns expressed in the Response and evaluation of the Company's two proposed alternatives, Staff now recommends total revenue of \$90,545. This level of revenue represents an increase of \$23,815, or 35.69 percent, over test year revenue of \$66,730, and is necessary due to the potential need to continue to haul water. Staff's recommended revenue would result in a negative 11.69 percent rate of return on a \$78,856 rate base and a negative 10.20 percent operating margin. See Schedule GWB-1. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,546 from \$42.64 to \$52.28 for an increase of \$9.64 or 22.60 percent. See Schedule GWB-5.

Staff's recommended revenue requirement is sufficient and would allow the Company to recover all routine test year expenses, except for \$9,233 of the test year cost \$27,345 of hauling water. Staff's recommendation is based on conservation that is expected to occur through Staff's rate design.

Staff recommends its rates and charges as presented on Schedule GWB-4 of this report.

BACKGROUND

On September 30, 2009, WHROA filed an application for a rate increase with the Commission. On October 30, 2009, Staff issued a letter of insufficiency. On November 10, 2009, WHROA filed amendments to its rate application. On December 21, 2009, Staff issued a letter of sufficiency to WHROA.

WHROA represents that its ground water is becoming increasingly limited, since it originates in a 'fissure' as opposed to an underground aquifer. WHROA further represents that it has drilled two new wells to provide for additional supply.

WHROA is not located in any Active Management Area ("AMA") and is not subject to any AMA reporting and conservation requirements.

CONSUMER SERVICES

A review of the Commission's Consumer Services database revealed the following information:

Year 2006 - three complaints – new service, service, quality of service; three inquiries - new service, service, quality of service; and zero opinions. Year 2007 – zero complaints; one inquiry – other; and zero opinions. Year 2008 – zero complaints; zero inquiries; and zero opinions. Year 2009 – zero complaints; zero inquiries; one opinion – rate case item - in favor. Year 2010 – zero complaints; zero inquiries; and zero opinions. All complaints and inquiries have been resolved and closed.

COMPLIANCE

A check with the Utilities Division Compliance Section showed no outstanding compliance issues.

The Association is current in its property and sales tax payments.

The Association is in good standing with the Corporation's Division of the Commission.

The Arizona Department of Environmental Quality ("ADEQ") regulates the Association's existing Water System under ADEQ Public Water System ("PWS") No. 13-221. Based on compliance information submitted by the Association,¹ the system has no major deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

¹ ADEQ Compliance Status Report dated Aug 28, 2009.

During its site inspection Staff noted that there is no sign listing the Association's identification and contact information at any facility site.

ENGINEERING ANALYSIS

The Staff Engineering Report is attached. There are four engineering recommendations included in the Staff Recommendations section. The first recommendation relates to annual water testing expenses, the amount of which is reflected in Staff's financial review of the application for the rate increase.

RATE BASE

Staff recommends four adjustments that in aggregate increase the Association's proposed rate base by \$69,487 from \$9,369 to \$78,856, as shown in Schedule GWB-2, page 1. Details of Staff's adjustments are presented below.

Plant in Service

Staff increased plant in service by \$74,634 from \$638,497 to \$713,131, as shown in Schedule GWB-2, Page 1, Adjustments A, B, C and D. These adjustments are also illustrated on Schedule GWB-2, Page 2.

Staff's Adjustment A adds \$58,033 of costs for Well Nos. 3 and 4 and Staff adjustment B adds \$3,689 for a total addition of \$61,722 to Account 307, Wells and Springs. Adjustment A represents:

Transfers from CWIP	\$51,648	Adjustment A
Reclassification of test year Outside Services Expense	\$235	Adjustment A
Reclassification of Water Testing Expense	\$5,040	Adjustment A
Reclassification of post test year expense	<u>\$1,070</u>	Adjustment A
Total additions to Account 307, Wells & Springs	\$58,033	(Wells 3 & 4)

In addition, Adjustment B represents plant expenditures for the deepening of Well No. 2 which were not added to plant by WHROA:

Reclassification from Outside Services for Well 2	<u>\$3,689</u>	Adjustment B
Total additions to Account 307, Wells and Springs	<u>\$61,722</u>	Total

Staff Adjustment C transfers \$9,684 of CWIP to account 311, Pumping Equipment for costs for Well Nos. 3 and 4.

Staff Adjustment D transfers \$3,228 of CWIP to account 331, Transmission and Distribution Mains, also associated with Well Nos. 3 and 4.

To summarize, total additions by adjustments, above, are:

Adjustment A	\$58,033
Adjustment B	\$ 3,689
Adjustment C	\$ 9,684
Adjustment D	<u>\$ 3,228</u>
Total Plant Additions	\$74,634

Accumulated Depreciation

Staff increases Accumulated Depreciation by \$61, from \$148,722 to \$148,783, as shown in Schedule GWB-2, Page 1, Adjustment E. Staff's adjustment estimates the accumulated depreciation for the \$3,689 associated with the deepening of Well No. 2, as discussed and reflected in Adjustment B, above. Utilizing a half-year convention, Staff calculates the Accumulated Depreciation for this item using a 3.33 percent depreciation rate recommended in Table H-1 of the attached Engineering Report.

Working Capital

Staff decreased the working capital allowance by \$5,086, from \$13,686 to \$8,600, using the formula method to reflect adjustments to cash operating expenses, as shown in Schedule GWB-2, Page 1, Adjustments F and G. Adjustments F and G show the total increase by component, 1/24 of Power and 1/8 of Operating and Maintenance Expenses.

Operating Income

Staff recommends five adjustments that, in aggregate, increase the test year operating loss by \$4,580 from the Association's proposed \$28,872 loss to a \$33,048 loss, as shown in Schedule GWB-3, Page 1. The increase in Operating Loss is the result of Staff's adjustments to increase Operating Expenses by \$4,580 from \$95,602 to \$99,778. Details of Staff's adjustments are presented below.

Operating Expenses

Purchased Water – Adjustment A increases this account by \$3,740, from \$23,605 to \$27,345, to reflect the Association's corrected schedule showing 804,300 gallons of water purchased during the test year. (See Schedule GWB-3, Page 1).

Outside Services – Adjustment B decreases this account by \$3,924, from \$33,240 to \$29,316, to reflect amounts that should have been recorded as plant and which Staff reclassified in rate base Adjustments A and B previously discussed in the amounts of \$235 and \$3,689, respectively. (See Schedule GWB-3, Page 1).

Water Testing – Adjustment C decreases this account by \$5,080, from \$7,549 to \$2,469,

to remove the costs of water testing associated with the development of Well Nos. 3 and 4, as described above in rate base Adjustment A to Plant in Service, and, further to reflect Staff's determination of the Association's ongoing, annual water testing cost (See Schedule GWB-3, Page 1).

Regulatory Commission Expense – Rate Case – Adjustment D increases this account by \$3,333 from zero to \$3,333 to reflect a normalized level of rate case expense. (See Schedule GWB-3, Page 1).

Depreciation Expense – Adjustment E increases this account by \$6,511, from \$25 to \$6,536 to reflect application of Staff's recommended depreciation rates to Staff's recommended plant balances, less any fully depreciated or non-depreciable plant and offset by amortization of contributions-in-aid-of-construction. The calculation of Staff's recommended depreciation expense and adjustment is shown in Schedule GWB-3, Page 3.

REVENUE REQUIREMENT

In this Responsive Staff Report, Staff recommends total revenue of \$90,545. This level of revenue represents an increase of \$23,815, or 35.69 percent, over test year revenue of \$66,730. Staff's recommended revenue would result in a negative 11.71 percent rate of return on a \$78,856 rate base and a negative 10.20 percent operating margin. See Schedule GWB-1. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,546 from \$42.64 to \$52.28 for an increase of \$9.64 or 22.60 percent. See Schedule GWB-5.

Staff's recommended revenue requirement is sufficient and would allow the Company to recover all routine test year expenses, except for \$9,233 of the test year cost \$27,345 of hauling water. Staff's recommendation is based on conservation that is expected to occur through Staff's rate design.

RATE DESIGN AND ALTERNATIVE RATE DESIGNS

WHROA's requested rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,546 gallons from \$42.64 to \$44.41 for an increase of \$1.77 or 4.16 percent.

WHROA currently has an inverted three-tier design with no gallons included in the minimum monthly charge for all customers. Currently, the break-over points are at 3,000 and 15,000 gallons for all rate groups.

WHROA proposes to implement an inverted four-tier rate design with no gallons included in the minimum monthly charge and to set break-over points at 3,000, 6,000 and 9,000 gallons for all meter sizes.

Staff recommends an inverted four-tier rate design with zero gallons in the minimum monthly charge and break-over points at 2,000, 4,000 and 9,000 gallons for all meter sizes. Staff's recommended rates are presented in Schedule GWB-4. WHROA asserts that its ground water originates in a "fissure" rather than an underground aquifer, and future yields from its wells are especially precarious. Due to the very limited water supply and residential nature of WHROA, Staff recommends the same break-over points for all meter sizes in the event that a customer requests a meter larger than 5/8 x 3/4-inch in the future.

Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with a median usage of 3,546 gallons from \$42.64 to \$52.28 for an increase of \$9.64 or 22.60 percent.

WHROA is proposing new Service Line and Meter Installation charges. Staff recommends adoption of the charges, as shown in Schedule GWB-4, which segregates the Service Line and Meter Installation charges.

WHROA proposes to maintain the Establishment Service Charge at \$30.00. Staff finds \$30.00 as a reasonable and normal charge.

WHROA proposes to maintain the Establishment Service Charge (after hours) at \$45.00. Staff finds \$45.00 as a reasonable and normal charge.

WHROA proposes to implement a Meter Re-read (if correct) charge of \$20.00. Staff finds \$20.00 as a reasonable and normal charge.

WHROA proposes to maintain the Meter Test (if correct) charge at \$30.00. Staff finds \$30.00 as a reasonable and normal charge.

WHROA proposes to maintain a Reconnection (delinquent) charge of \$25.00. Staff finds \$25.00 as a reasonable and normal charge.

WHROA proposes to establish an after hours service charges for Reconnection (delinquent) of \$50.00. Staff finds \$50.00 as a reasonable and normal charge.

WHROA proposes to establish a Late Fee of 1.5 percent per month. Staff finds a charge of 1.5 percent per month on delinquent bills as a reasonable and normal charge.

WHROA proposes to maintain the NSF charges of \$15.00. Staff finds \$15.00 as a reasonable and normal charge.

WHROA proposes to maintain a Deferred Payments rate of zero percent per month. Staff recommends that Deferred Payments rules be identified to the corresponding Commission Rule (14-2-409.G).

WHROA proposes Deposit and Deposit Interest in accordance with Commission Rule R-14-2-403(B). Staff concurs.

WHROA proposes Re-establishment charges as "Months times Minimum." Staff recommends Re-establishment charges in accordance with Commission Rule R-14-2-403(D), which are basically equivalent to the Association's proposal.

STAFF RECOMMENDS:

- That the Commission approve Staff's rates and charges, as shown in Schedule GWB-4. In addition to collection of its regular rates and charges, WHROA may collect from its customers a proportionate share of any privilege, sales or use tax per Commission Rule (14-2-409D-5).
- That WHROA be ordered to docket with the Commission, a schedule of its approved rates and charges within 30 days after the Decision in this matter is issued.
- That annual water testing expense of \$2,469 be used for purposes of this application.
- That WHROA use Staff's depreciation rates by individual National Association of Regulatory Utility Commissioners category as delineated in Table H-1 of the attached Engineering Report.
- That the Commission authorize adoption of the charges listed under "Staff's Recommendation" in Table J-1 be adopted.
- That the Company install/update "informational" signs at each facility site. These signs should comply with ADEQ requirements and include the following information: system name, system PWS ID and emergency contact phone numbers. Staff further recommends that WHROA file documentation with Docket Control demonstrating compliance within 45 days after the effective date of the decision in this case.

SUMMARY OF FILING

	-- Present Rates --		-- Proposed Rates --	
	Company as Filed	Staff as Adjusted	Company as Filed	Staff as Adjusted
Revenues:				
Metered Water Revenue	\$65,229	\$65,229	\$80,229	\$89,044
Other Revenues	0	0	0	0
Other Water Revenues	1,501	1,501	1,501	1,501
Total Operating Revenue	\$66,730	\$66,730	\$81,730	\$90,545
Operating Expenses:				
Operation and Maintenance	\$91,642	\$89,307	\$91,642	\$89,307
Depreciation	25	6,536	25	6,536
Property & Other Taxes	3,935	3,935	3,935	3,935
Income Tax	0	0	0	0
Total Operating Expense	\$95,602	\$99,778	\$95,602	\$99,778
Operating Income/(Loss)	(\$28,872)	(\$33,048)	(\$13,872)	(\$9,233)
Rate Base O.C.L.D.	\$9,369	\$78,856	\$9,369	\$78,856
Rate of Return - O.C.L.D.	-308.17%	-41.91%	-148.06%	-11.71%
Times Interest Earned Ratio (Pre-Tax)	N/M	N/M	2.57	0.41
Debt Service Coverage Ratio (Pre-Tax)	N/M	N/M	1.93	0.46
Operating Margin	-43.27%	-49.53%	-16.97%	-10.20%

- NOTES:
1. The times interest earned ratio (TIER) represents the ability of the Company to pay interest expenses before taxes.
 2. The Debt Service Coverage Ratio (DSC) represent the Company's ability to pay principal and interest before taxes and depreciation
 3. Operating Margin represents the proportion of funds available to pay interest and other below the line or non-ratemaking expenses.

N/M Not Meaningful

White Horse Ranch Owners Association

Docket No. W-04161A-09-0471

Test Year Ended

July 31, 2009

Schedule GWB-2

Page 1 of 3

RATE BASE

	----- Original Cost -----		
	Company	Adjustment	Staff
Plant in Service	\$638,497	\$74,634 A, B, C, D	\$713,131
Less:			
Accum. Depreciation	148,722	61 E	148,783
Net Plant	\$489,775	\$74,573	\$564,348
Less:			
Plant Advances	\$0	\$0	\$0
Customer Deposits	0	0	0
Total Advances	\$0	\$0	\$0
Contributions Gross	\$494,092	\$0	\$494,092
Less:			
Accumulated Amortization of CIAC	0	\$0	0
Net CIAC	\$494,092	\$0	\$494,092
Total Deductions	\$494,092	\$0	\$494,092
Plus:			
1/24 Power	\$142	\$1,140 F	\$1,282
1/8 Operation & Maint.	\$13,544	(6,226) G	7,318
Inventory	0	0	0
Prepayments	0	0	0
Total Additions	\$13,686	(\$5,086)	\$8,600
Rate Base	\$9,369	\$69,487	\$78,856

Explanation of Adjustment:

A,B,C,D See explanations on Schedule GWB-2, page 2 of 3

E To recognize the depreciation expense accumulated on the \$3,689 cost to deepen Well 2 during the test year & using 3.33 percent depreciation rates and half year convention.

F, G To record adjustments to working capital.

PLANT ADJUSTMENT

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$0	\$0	\$0
302 Franchises	0	0	\$0
303 Land & Land Rights	18,850		\$18,850
304 Structures & Improvements	13,027		\$13,027
307 Wells & Springs	50,789	61,722 A, B	\$112,511
311 Pumping Equipment	31,636	9,684 C	\$41,320
320 Water Treatment Equipment	0		\$0
330.1 Distribution Reservoirs & Standpipes	36,185		\$36,185
330.2 Pressure Tanks	0		\$0
331 Transmission & Distribution Mains	378,757	3,228 D	\$381,985
333 Services	59,201	0	\$59,201
334 Meters & Meter Installations	11,211	0	\$11,211
335 Hydrants	0	0	\$0
336 Backflow Prevention Devices	0	0	\$0
339 Other Plant and Misc. Equipment	38,841	0	\$38,841
340 Office Furniture & Equipment	0	0	\$0
341 Transportation Equipment	0	0	\$0
343 Tools Shop & Garage Equipment	0	0	\$0
344 Laboratory Equipment	0	0	\$0
345 Power Operated Equipment	0	0	\$0
346 Communication Equipment	0	0	\$0
347 Miscellaneous Equipment	0	0	\$0
348 Other Tangible Plant	0	0	\$0
105 C.W.I.P.	0	0	\$0
TOTALS	\$638,497	\$74,634	\$713,131

A For capital costs associated with Wells 3&4:

To add \$51,648 from CWIP for well costs on Well No. 3&4 for Wells & Springs, plus
to capitalize \$5,080 of Water Testing Expense associated with well 3&4, plus
\$235 of Outside Service Expense in the test year, plus
\$1,070 of Outside Service Expense after the test year.

B,C,&D For capital cost associated with Well 2:

B To capitalize \$3,689 of Outside Services Expense for capital additons to Well 2 , Wells & Springs
C To add \$9,684 of capital additions to Well 2, Pumping Equipment
D To add \$3,280 of capital additions to Well 2, T&D Mains

White Horse Ranch Owners Association

Docket No. W-04161A-09-0471

Test Year Ended July 31, 2009

Schedule GWB-2

Page 3 of 3

ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$148,722
Accumulated Depreciation - Per Staff	148,783
Total Adjustment	\$61

To recognize the depreciation expense accumulated on the \$3,689 cost to deepen Well 2 during the test year, Rate Base Adjustment B, using 3.33 percent depreciation rates and half year convention.

STATEMENT OF OPERATING INCOME

	Company Exhibit	Staff Adjustments	Staff Adjusted
Revenues:			
461 Metered Water Revenue	\$65,229	\$0	\$65,229
460 Unmetered Water Revenue	0	0	0
474 Other Water Revenues	1,501	0	1,501
Total Operating Revenue	\$66,730	\$0	\$66,730
Operating Expenses:			
601 Salaries and Wages	\$0	\$0	\$0
610 Purchased Water	23,605	3,740 A	27,345
615 Purchased Power	3,418	0	3,418
618 Chemicals	370	0	370
620 Repairs and Maintenance	10,077	0	10,077
621 Office Supplies & Expense	1,827	0	1,827
630 Outside Services	33,240	(3,924) B	29,316
635 Water Testing	7,549	(5,080) C	2,469
641 Rents	384	0	384
650 Transportation Expenses	1,179	0	1,179
657 Insurance - General Liability	2,109	0	2,109
666 Regulatory Commission Expense - Rate Case	0	3,333 D	3,333
666 Bad Debt Expense	648	0	648
675 Miscellaneous Expense	7,236		6,832
403 Depreciation Expense	25	6,511 E	6,536
408 Taxes Other Than Income	0	0	0
408.11 Property Taxes	3,935	0	3,935
409 Income Tax	0	0	0
Total Operating Expenses	\$95,602	\$4,580	\$99,778

OPERATING INCOME/(LOSS)	(\$28,872)	(\$4,580)	(\$33,048)
--------------------------------	------------	-----------	------------

Other Income/(Expense):

419 Interest and Dividend Income	\$0	\$0	\$0
421 Non-Utility Income	0	0	0
427 Interest Expense	0	0	
4XX Reserve/Replacement Fund Deposit	0	0	
426 Miscellaneous Non-Utility Expense	0	0	0

Total Other Income/(Expense)	\$0	\$0	\$0
------------------------------	-----	-----	-----

NET INCOME/(LOSS)	(\$28,872)	(\$4,580)	(\$33,048)
--------------------------	------------	-----------	------------

A To adjust Water Purchases to reflect actual activity in the test year

White Horse Ranch Owners Association

Docket No. W-04161A-09-0471

Test Year Ended July 31, 2009

Schedule GWB-3

Page 2 of 3

STAFF ADJUSTMENTS

A	PURCHASES WATER - Per Company	23,605	
	Per Staff	27,345	<u>\$3,740</u>

To adjust Water Purchases to reflect actual activity in the test year

B -	OUTSIDE SERVICES - Per Company	\$33,240	
	Per Staff	29,316	<u>(\$3,924)</u>

To remove capital expenses charged to expense.

C	WATER TESTING - Per Company	\$7,549	
	Per Staff	2,469	<u>(\$5,080)</u>

To reflect normalized annual water testing cost

D -	REGULATORY COMMISSION EXPENSE - RATE CASE		
	- Per Company	\$0	
	Per Staff	3,333	<u>\$3,333</u>

To recognize a normalized level of the estimated rate case expense

E -	DEPRECIATION - Per Company	\$25	
	Per Staff	6,536	<u>\$6,511</u>

To recalculate depreciation expense at Staff recommended rates
See Page 3 of 3

White Horse Ranch Owners Association

Docket No. W-04161A-09-0471

Test Year Ended July 31, 2009

Schedule GWB-3

Page 3 of 3

STAFF ADJUSTMENTS (Cont.)**Pro Forma Annual Depreciation Expense:**

Plant in Service	\$713,131
Less: Non Depreciable Plant	18,850
Fully Depreciated Plant	0
Depreciable Plant	<u>\$694,281</u>
Times: Staff Proposed Depreciation Rate	3.27%
Credit to Accumulated Depreciation	<u>\$22,669 *</u>
Less: Amort. of CIAC* @ 3.27%	<u>16,133</u>
Pro Forma Annual Depreciation Expense	<u><u>\$6,536</u></u>

*** Amortization of CIAC:**

Contribution(s) in Aid of Construction (Gross)	\$494,092
Less: Non Amortizable Contribution(s)	0
Fully Amortized Contribution(s)	0
Amortizable Contribution(s)	<u>\$494,092</u>
Times: Staff Proposed Amortization Rate	3.27%
Amortization of CIAC	<u><u>\$16,133</u></u>

RATE DESIGN

		Present Rates			Proposed Rates- Co.			Proposed Rates- Staff		
Monthly Usage Charge										
	5/8" x 3/4" Meter	\$	35.00		\$	40.00		\$	35.00	
	3/4" Meter	\$	35.00		\$	40.00		\$	52.50	
	1" Meter	\$	57.50		\$	66.00		\$	87.50	
	1 1/2" Meter	\$	115.00		\$	132.00		\$	175.00	
	2" Meter	\$	184.00		\$	212.00		\$	280.00	
	3" Meter	\$	345.00		\$	400.00		\$	560.00	
	4" Meter	\$	575.00		\$	660.00		\$	875.00	
	6" Meter	\$	1,150.00		\$	1,325.00		\$	1,750.00	
Commodity Rates										
No Gallons Included All meters										
	Zero to 3000 gallons	\$	2.00							
	3,001 to 15,000 gallons	\$	3.00							
	Over 15,000 gallons	\$	3.60							
	Zero to 3000 gallons				\$	2.50				
	3,001 to 6,000 gallons				\$	3.50				
	6,001 to 9,000 gallons				\$	4.50				
	Over 9,000 gallons				\$	12.95				
	Zero to 2,000 gallons							\$	4.00	
	2,001 to 4,000 gallons							\$	6.00	
	4,001 to 9,000 gallons							\$	8.00	
	Over 9,000 gallons							\$	12.00	
Bulk Water - per 1,000 Gallons		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Service Line and Meter Installation Charges					Service Line	Meter Installation	Total	Service Line	Meter Installation	Total
	5/8" x 3/4" Meter	\$	500.00		N/A	N/A	\$ 500.00	\$ 400.00	\$ 100.00	\$ 500.00
	3/4" Meter	\$	575.00		N/A	N/A	\$ 575.00	\$ 335.00	\$ 240.00	\$ 575.00
	1" Meter	\$	660.00		N/A	N/A	\$ 660.00	\$ 420.00	\$ 240.00	\$ 660.00
	1 1/2" Meter	\$	900.00		N/A	N/A	\$ 900.00	\$ 470.00	\$ 430.00	\$ 900.00
	2" Meter	\$	1,872.00		N/A	N/A	\$ 1,872.00	\$ 835.00	\$ 1,037.00	\$ 1,872.00
	3" Meter	\$	2,562.00		N/A	N/A	\$ 2,562.00	\$ 980.00	\$ 1,582.00	\$ 2,562.00
	4" Meter	\$	3,812.00		N/A	N/A	\$ 3,812.00	\$ 1,360.00	\$ 2,452.00	\$ 3,812.00
	5" Meter	N/A			N/A	N/A	N/A	N/A	N/A	N/A
	6" Meter	\$	6,892.00		N/A	N/A	\$ 6,892.00	\$ 2,090.00	\$ 4,802.00	\$ 6,892.00
Service Charges										
	Establishment	\$	30.00		\$	30.00		\$	30.00	
	Establishment (After Hours)	\$	45.00		\$	45.00		\$	45.00	
	Reconnection (Delinquent)	\$	25.00		\$	25.00		\$	25.00	
	Reconnection (Delinquent) after hours		N/A		\$	50.00		\$	50.00	
	Meter Test (If Correct)	\$	30.00		\$	30.00		\$	30.00	
	Deposit	Per Rule*			Per Rule*			Per Rule*		
	Deposit Interest	Per Rule*			Per Rule*			Per Rule*		
	Re-Establishment (Within 12 Months)	Months times Minimum			Months times Minimum			Per Rule**		
	NSF Check	\$	15.00		\$	15.00		\$	15.00	
	Deferred Payment	0.00%			0.00%			Per Rule***		
	Meter Re-Read (If Correct)	\$	-		\$	20.00		\$	20.00	
	Late Fee	1.50%			1.5% / Mo.			1.5% / Mo.		
Both Systems										
Monthly Service Charge for Fire Sprinkler										
	4" or Smaller	N/A			N/A			****		
	6"	N/A			N/A			****		
	8"	N/A			N/A			****		
	10"	N/A			N/A			****		
	Larger than 10"	N/A			N/A			****		

* Per Commission Rules (R14-2-403.B)

** Months off system times the minimum (R14-2-403.D)

*** Per Commission Rules (R14-2-409.G)

**** 2.00% of the monthly minimum for a comparable sized meter connection but not less than \$10.00 per month.
The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Typical Bill Analysis
Residential 5/8 X 3/4-Inch Meters

Produces Revenues of \$90,545

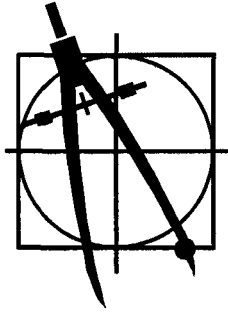
Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,885	\$ 46.66	\$ 49.10	\$ 2.44	5.24%
Median Usage	3,546	42.64	44.41	\$ 1.77	4.16%

Staff Recommended

Average Usage	4,885	\$ 46.66	\$ 62.08	\$ 15.43	33.06%
Median Usage	3,546	42.64	52.28	\$ 9.64	22.60%

Present & Proposed Rates (Without Taxes)
Residential 5/8 X 3/4-Inch Meters

Gallons Consumption	Present Rates	Company Proposed Rates	Increase	Staff Recommended Rates	Increase
-	\$ 35.00	\$ 35.00	0.00%	\$ 35.00	0.00%
1,000	37.00	\$ 37.50	1.35%	\$ 39.00	5.41%
2,000	39.00	\$ 40.00	2.56%	\$ 43.00	10.26%
3,000	41.00	\$ 42.50	3.66%	\$ 49.00	19.51%
4,000	44.00	\$ 46.00	4.55%	\$ 55.00	25.00%
5,000	47.00	\$ 49.50	5.32%	\$ 63.00	34.04%
6,000	50.00	\$ 53.00	6.00%	\$ 71.00	42.00%
7,000	53.00	\$ 57.50	8.49%	\$ 79.00	49.06%
8,000	56.00	\$ 62.00	10.71%	\$ 87.00	55.36%
9,000	59.00	\$ 66.50	12.71%	\$ 95.00	61.02%
10,000	62.00	\$ 79.45	28.15%	\$ 107.00	72.58%
11,000	65.00	\$ 92.40	42.15%	\$ 119.00	83.08%
12,000	68.00	\$ 105.35	54.93%	\$ 131.00	92.65%
13,000	71.00	\$ 118.30	66.62%	\$ 143.00	101.41%
14,000	74.00	\$ 131.25	77.36%	\$ 155.00	109.46%
15,000	77.00	\$ 144.20	87.27%	\$ 167.00	116.88%
16,000	80.60	\$ 157.15	94.98%	\$ 179.00	122.08%
17,000	84.20	\$ 170.10	102.02%	\$ 191.00	126.84%
18,000	87.80	\$ 183.05	108.49%	\$ 203.00	131.21%
19,000	91.40	\$ 196.00	114.44%	\$ 215.00	135.23%
20,000	95.00	\$ 208.95	119.95%	\$ 227.00	138.95%
25,000	113.00	\$ 273.70	142.21%	\$ 287.00	153.98%
30,000	131.00	\$ 338.45	158.36%	\$ 347.00	164.89%
35,000	149.00	\$ 403.20	170.60%	\$ 407.00	173.15%
40,000	167.00	\$ 467.95	180.21%	\$ 467.00	179.64%
45,000	185.00	\$ 532.70	187.95%	\$ 527.00	184.86%
50,000	203.00	\$ 597.45	194.31%	\$ 587.00	189.16%
75,000	293.00	\$ 921.20	214.40%	\$ 887.00	202.73%
100,000	383.00	\$ 1,244.95	225.05%	\$ 1,187.00	209.92%



**Engineering Report for:
White Horse Ranch Owners Association,
Inc.**

**Application for a Rate Increase
Docket No. W-04161A-09-0471**

**By: Jian W Liu
Utilities Engineer**

February 24, 2010

EXECUTIVE SUMMARY

CONCLUSIONS:

1. White Horse Ranch Owners Association, Inc. ("White Horse Ranch" or "Company") is not located in any Active Management Area ("AMA") and is not subject to any AMA reporting and conservation requirements. ADWR reported that it has determined that White Horse Ranch is currently in compliance with departmental requirements governing water providers and/or community water systems.
2. ADEQ regulates the Company's existing Water System under ADEQ Public Water System ("PWS") #13-221. Based on compliance information submitted by the Company, the system has no major deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.
3. A check with the Utilities Division Compliance Section showed no delinquent compliance items for the Company.
4. White Horse Ranch has approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.

RECOMMENDATIONS

1. Staff recommends annual water testing expense of \$2,469 be used for purposes of this application.
2. Staff recommends that the Company use Staff's depreciation rates by individual National Association of Regulatory Utility Commissioners category as delineated in Table H-1.

3. Staff recommends that the charges listed under “Staff’s Recommendation” in Table J-1 be adopted.
4. Staff recommends that White Horse Ranch install/update “informational” signs at each facility site. These signs should comply with ADEQ requirements and include the following information: system name, system PWS ID and emergency contact phone numbers. Staff further recommends that the Company file documentation with Docket Control demonstrating compliance within 45 days after the effective date of the decision in this case.

TABLE OF CONTENTS

	PAGE
A. LOCATION OF THE COMPANY	1
B. DESCRIPTION OF WATER SYSTEM.....	1
<i>Water System Analysis</i>	2
C. WATER USE	2
<i>Water Sold</i>	2
<i>Non-Account Water</i>	3
D. GROWTH	3
E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE.....	4
<i>Compliance</i>	4
<i>Water Testing Expense</i>	4
F. ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE.....	5
G. ARIZONA CORPORATION COMMISSION (“ACC”) COMPLIANCE	5
H. DEPRECIATION RATES	5
I. CURTAILMENT PLAN AND BACKFLOW PREVENTION TARIFF	6
J. SERVICE LINE AND METER INSTALLATION CHARGES	6

FIGURES

A-1. County Map	8
A-2. Certificated Area.....	9
C-1. Water Use.....	12

TABLES

H-1. Depreciation Rates	14
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A. LOCATION OF THE COMPANY

White Horse Ranch Owners Association, Inc. ("White Horse Ranch" or "Company") is located in Yavapai County at Highway 169 and Old Cherry Road which is about one mile north of the junction of Highway 89 and 169 in Dewey Arizona. The Company's existing Certificate of Convenience and Necessity includes an area totaling approximately 464 acres. Figure A-1 shows the location of the Company within Yavapai County, and Figure A-2 shows the certificated area.

B. DESCRIPTION OF WATER SYSTEM

The water system was field inspected on February 17, 2010, by Jian W. Liu, Staff Utilities Engineer, in the accompaniment of Bobby Foxworth, and John Grijalva, representing the Company.

The system consists of four wells (two existing wells, well numbers 1 and 2, two new wells, well numbers 3 and 4) which pump water to a storage tank which is located on a hill overlooking the service area. From this storage tank, water is gravity fed to the distribution system. Detailed plant facility descriptions follow:

Well Data

Well Number	ADWR ID No.	Pump HP	Pump GPM	Casing Size(in) & Depth(ft)	Meter Size(in)	Year Drilled
1	55-558950	1.5	15 or lower	4 and 213	1.5	1996
2	55-558951	1.5	7 or lower	3 and 300	1.5	1997
3	55-909623	1.0	2.3	4.5 and 317	5/8" x 3/4"	2008
4	55-910367	1.5	3	4.5 and 340	5/8" x 3/4"	2009

Note: GPM = gallons per minute.

Storage Tanks		Pressure Tanks		Booster Pumps	
Capacity (gallons)	Quantity	Capacity (gallons)	Quantity	Capacity (HP)	Quantity
80,900	1	na	na	na	na
Total 80,900					

Mains		Customer Meters		Fire Hydrants
Size (inches)	Length (feet)	Size (inches)	Quantity	Quantity
2	1,300	5/8x3/4	119	5
4	8,587	3/4		
6	15,585	1		
8	12,993	1.5		
		Total	119	

Water System Analysis

The two existing wells had been producing approximately 50 gallons per minute (“GPM”) in 2003, and have been producing between 16 to 22 GPM in 2009. White Horse Ranch hauled 804,300 gallons water during the test year. Two new wells produce approximate 5 GPM.

The water production for existing two wells has reduced so much during the test year forcing the Company to haul water. Based on the Company, the existing well can produce reasonable water flow from very beginning to pump everyday, but production rate would be dropped so much after 2 to 3 hours, the pumping has to be stopped. There are more than a hundred wells within one mile of the Company’s certificated area according to ADWR. Staff has some concerns regarding water supply for this water system in next 3 to 5 years even with the addition of the two new wells.¹

Staff concludes that White Horse Ranch may have to haul water in the future if wells production continues to decline, which is most likely.

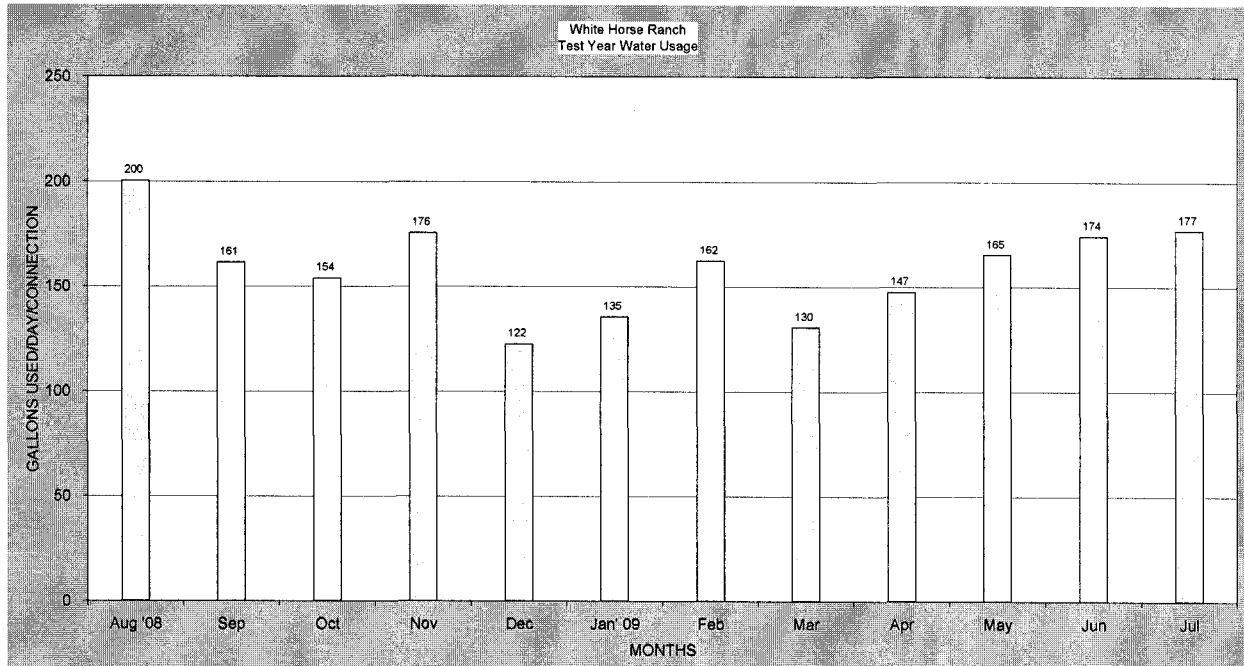
C. WATER USE

Water Sold

Based on the information provided by White Horse Ranch, water use for the test year is presented in Figure C-1. Customer consumption experienced a high monthly average water use of 200 gallons per day (“GPD”) per connection and a low monthly average water use of 122 GPD per connection and an average annual use of 159 GPD per connection.

¹ The Company does not expect to add any new connections to the system within the next five years.

Figure C-1. Water Use



Non-Account Water

Non-account water should be 10% or less and never more than 15%. White Horse Ranch reported 7,071,100 gallons pumped and hauled, 6,724,080 gallons sold, resulting in a water loss of approximately 4.91% from August 2008 to July 2009.

D. GROWTH

There were 42 service connections in 2003. Company had 119 service connections in 2009 (3 vacant). It is required that the minimum lot would be 2 acres for this certificated area. The Company anticipates the maximum service connections can be added to the water system would be approximately 40 new service connections since Company's existing Certificate of Convenience and Necessity only has an area totaling approximately 464 acres. White Horse Ranch is projecting that there will be no growth within the next five years as a result of the economic down-turn.

E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Compliance

ADEQ regulates the Company's existing Water System under ADEQ Public Water System ("PWS") #13-221. Based on compliance information submitted by the Company,² the system has no major deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

During its site inspection Staff noted that there is no sign listing the Company's identification and contact information at any facility site. Staff recommends that White Horse Ranch install/update "informational" signs at each facility site. These signs should comply with ADEQ requirements and include the following information: system name, system PWS ID and emergency contact phone numbers. Staff further recommends that the Company file documentation with Docket Control demonstrating compliance within 45 days after the effective date of the decision in this case.

Water Testing Expense

The Company is subject to mandatory participation in the Monitoring Assistance Program ("MAP"). Starting January 1, 2002, water companies paid a fixed \$250 per year fee, plus an additional fee of \$2.57 per service connection, regardless of meter size for participation in MAP. Participation in the MAP program is mandatory for water systems, which serve less than 10,000 persons (approximately 3,300 service connections).

The Company reported its total water testing expense as \$7,549 during the test year, including \$5,080 for New Source Approval (new wells 3 and 4). Staff reclassified this New Source Approval amount of \$5,080 as an addition to Wells & Springs. Total water testing expense was reduced to \$2,469 during the test year. Staff reviewed this reported amount and made certain adjustments to determine an average annual cost of \$2,444 as shown in Table A. Staff recommends annual water testing expense of \$2,469 be used for purposes of this application.

² ADEQ Compliance Status Report dated Aug 28, 2009.

Table A Water Testing Expense

Monitoring PWS#13-221 (Tests per 3 years, unless noted.)	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual Cost
Total Coliform – monthly	\$ 20	72	1,440	\$480
Inorganics	\$90	12	\$1,080	\$360
Nitrates – annual	\$25	6	\$150	\$50
Bacteriology	\$68	36	2,448	816
Lead & Copper – semi- annual	\$45	12	\$540	\$180
MAP fees (annual)				\$558 (rounded)
Total				\$2,444

F. ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE

The Company is not located in any Active Management Area (“AMA”) and is not subject to any AMA reporting and conservation requirements. ADWR reported that it has determined that White Horse Ranch is currently in compliance with departmental requirements governing water providers and/or community water systems.³

G. ARIZONA CORPORATION COMMISSION (“ACC”) COMPLIANCE

A check with the Utilities Division Compliance Section showed no delinquent compliance items for the Company.⁴

H. DEPRECIATION RATES

In recent orders, the Commission has been shifting away from the use of composite rates in favor of individual depreciation rates by National Association of Regulatory Utility Commissioners (“NARUC”) category. (For example, a uniform 2.50% composite rate would not really be appropriate for either vehicles or transmission mains and instead, different specific retirement rates should be used.)

Staff has developed typical and customary depreciation rates within a range of anticipated equipment life. These rates are presented in Table H-1 and it is recommended that the White Horse Ranch use these depreciation rates by individual NARUC category.

³ ADWR compliance status report dated November 2009.

⁴ Compliance status report dated on February 1, 2010.

I. CURTAILMENT PLAN AND BACKFLOW PREVENTION TARIFF

White Horse Ranch has approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.

J. SERVICE LINE AND METER INSTALLATION CHARGES

The Company did not propose any changes to its service line and meter installation charges. These charges are refundable advances. The Company's proposed charges are below Staff's recommended range for these charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been developed by Staff using the Company's current charges. Staff recommends that the charges listed under "Staff's Recommendation" in Table J-1 be adopted.

Table J-1. Service Line and Meter Installation Charges

Meter Sizes	Current Charges	Company Proposed Charges	Staff recommended Service Line Charges	Staff recommended *Meter Charges	Staff recommended Total Charges
5/8" x 3/4"	500	500	\$400	\$100	500
3/4"	575	575	\$335	\$240	575
1"	660	660	\$420	\$240	660
1-1/2"	900	900	\$470	\$430	900
2"	1,872	1,872	\$835	\$1,037	1,872
3"	2,562	2,562	980	1,582	2,562
4"	3,812	3,812	1,360	2,452	3,812
6"	6,892	6,892	2,090	4,802	6,892

*Note: Meter charge includes meter box or vault.

YAVAPAI COUNTY

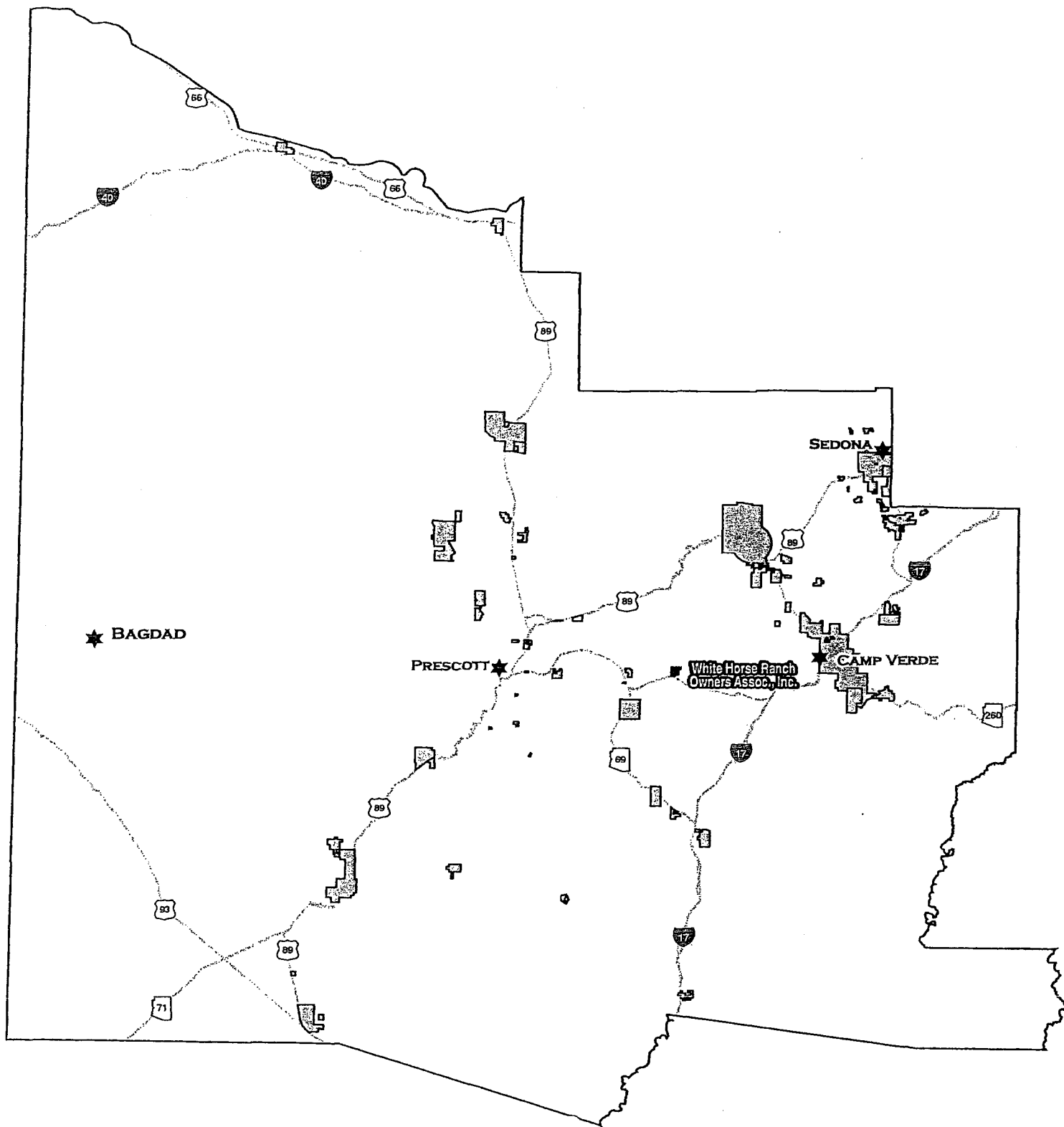


Figure 1: County Map

YAVAPAI COUNTY

06	05	04	14N02E	03	02	01
07	08	09		10	11	12
18	17	16		15	14	13
19	20	21		22	23	24
30	29	28	White Horse Ranch Owners Association, Inc	27	26	25
31	32			34	35	36

Figure 2: Certificated Area

Table H-1. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	10	10.00

MEMORANDUM

TO: Gerald Becker
Public Utilities Analyst V
Finance & Rate Analysis

FROM: Carmen Madrid
Public Utility Consumer Analyst I
Utilities Division

DATE: March 2, 2010

RE: **WHITE HORSE RANCH OWNERS ASSOCIATION, INC.**
Docket No. W-04161A-09-0471

White Horse Ranch Owners Association, Inc. has applied for approval of a rate increase.

Per information received from the Corporations Section of the Arizona Corporation Commission, this company is in good standing.

In researching the Consumer Services database for complaints for this company, the following information was found

2006 three complaints – new service, service, quality of service
three inquiries - new service, service, quality of service
zero opinions

2007 zero complaints,
one inquiry – other
zero opinions

2008 zero complaints, inquiries and opinions

2009 zero complaints, inquiries,
one opinion – rate case item - in favor

2010 zero complaints, inquiries and opinions